

# Coalition of Dairy Organizations Supporting the ‘*Dairy Security Act*’

May 8, 2013

The Honorable Frank Lucas  
Chairman  
House Committee on Agriculture  
1300 Longworth House Office Building  
Washington, DC 20515

The Honorable Collin Peterson  
Ranking Member  
House Committee on Agriculture  
1300 Longworth House Office Building  
Washington, DC 20515

## **Subject: Nation's Dairy Farmers Support the Dairy Security Act**

Dear Chairman Lucas, Ranking Member Peterson, and Members of the Committee:

The dairy producer organizations listed below firmly believe that it is time to reform federal dairy policy by enacting the *Dairy Security Act (DSA)* as part of the 2013 Farm Bill. We support the DSA’s provisions – which were included in the Farm Bill approved last year by your committee – and we oppose any effort by Reps. Goodlatte and Scott to weaken the safety net through their so-called Dairy Freedom Act.

The economic conditions that led to the development of the DSA after the dairy depression in 2009 – low milk prices and high feed costs generating terrible margins – were experienced again by America’s dairy farmers last year, when feed costs soared to record levels as milk prices dropped. It is precisely this type of low-margin scenario that the DSA was designed to help farmers weather. We need a financially-sound risk management program to help farmers better manage margin volatility.

As you’ve heard from our organizations in recent years, our current dairy safety net policies are simply ineffective in this roller coaster of volatility. The DSA offers dairy farmers the ability to insure against catastrophically-low margins, such as those experienced by dairy families in 2009, and again in 2012. It also helps to moderate the volatility in milk prices by maintaining better market balance, which benefits consumers as well as farmers.

This last point must be reiterated in light of the competing philosophy offered by Goodlatte-Scott. When margins are tight, farmers feel pressure to produce more milk, not less, in an effort to cash flow their businesses. Individually, this may seem to be a prudent decision, but collectively, more milk at a time when supplies are excessive simply exacerbates the low margin conditions.

This is why the DSA contains a market stabilization component. Market stabilization sends a clear signal to farmers participating in this program that a bit less milk is needed. Not only does this hasten a rebound in low-margin situations, it reduces the cost of the program to the government. The idea is that it’s better to trim a slight amount for a short time, rather than suffer prolonged poor margins for months on end, as happened in 2009.

This point also needs added emphasis. **Without the discipline offered by market stabilization, low milk prices will continue for longer periods. This is detrimental to farmers. Low milk prices will lead to more government outlays. This is detrimental to taxpayers.** The Dairy Freedom Act is supported by processors precisely because it offers them the prospect of lower milk prices, subsidized by government insurance payments. This scenario is not sustainable. Free margin insurance alone is a costly ruse.

The truth is, the dairy farmer-developed DSA is a better deal for farmers and for taxpayers. The real threat to the growth of our domestic dairy industry is not a market stabilization program that will only rarely activate; it’s the further damage to our dairy producer sector that would result from an ill-conceived processors’ dream plan to assure themselves a sea of taxpayer-subsidized milk. Also remember that this is a voluntary approach to risk management, which offers producers the choice to participate.

**As the list below clearly shows, the U.S. dairy industry is demonstrating a level of unity and support for the *Dairy Security Act* that is unprecedented for our industry.** These organizations share the belief that the status

quo is not an option for our future, and we stand united behind the *Dairy Security Act* as a rare opportunity for the dairy industry to collectively support reasonable, financially-sound changes to our Federal policies.

**We strongly urge the Members of the Agriculture Committee to include the provisions of the *Dairy Security Act* in the 2013 Farm Bill and oppose the Goodlatte-Scott amendment.**

Sincerely,

*Agri-Mark*

*Alabama Dairy Producers*

*Arkansas Dairy Cooperative Association*

*Associated Milk Producers Inc. (AMPI)*

*Colorado Dairy Farmers*

*Continental Dairy Products, Inc.*

*Cooperative Milk Producers Association*

*Dairy Farmers of America (DFA)*

*Dairy Farmers Working Together*

*Dairy Producers of New Mexico*

*Dairy Producers of Utah*

*Dairylea Cooperative Inc.*

*Dairymen's Marketing Cooperative, Inc.*

*Ellsworth Cooperative Creamery*

*Farmers Cooperative Creamery*

*FarmFirst Dairy Cooperative*

*First District Association*

*Foremost Farms USA*

*Holstein Association USA, Inc.*

*Idaho Dairymen's Association*

*Iowa State Dairy Association*

*Kansas Dairy Association*

*Land O'Lakes*

*Lone Star Milk Producers*

*Maryland Dairy Industry Association*

*Maryland & Virginia Milk Producers Coop. Assoc.*

*Michigan Milk Producers Association*

*Midwest Dairy Coalition*

*Milk Producers Council*

*Missouri Dairy Association*

*National Council of Farmer Cooperatives*

*National Farmers Organization*

*National Milk Producers Federation*

*North Carolina Dairy Producers Association*

*Northeast Dairy Farmers Cooperatives*

*Northwest Dairy Association / Darigold*

*Oregon Dairy Farmers Association*

*Prairie Farms Dairy, Inc.*

*Premier Milk Inc.*

*Scioto County Cooperative Milk Producers' Association*

*Select Milk Producers, Inc.*

*South Carolina Dairy Association*

*South Dakota Dairy Producers*

*St. Albans Cooperative Creamery*

*Swiss Valley Farms Company*

*Tillamook County Creamery Association*

*United Dairymen of Arizona*

*Upstate Niagara Cooperative, Inc.*

*Virginia State Dairymen's Association*

*Washington State Dairy Federation*

*Zia Milk Producers, Inc.*